

Filing at a Glance

Company: Triangle Insurance Company, Inc.

Product Name: Equipment Breakdown Policy

TOI: 27.0 Boiler & Machinery

Sub-TOI: 27.0000 Boiler & Machinery

Filing Type: Form

SERFF Tr Num: TRGL-125202536 State: Arkansas

SERFF Status: Closed

Co Tr Num: TIEB07-001F

Co Status:

Author: Bret Wilson

Date Submitted: 06-18-2007

State Tr Num: AR-PC-07-025133

State Status:

Reviewer(s): Betty Montesi,

Llyweyia Rawlins

Disposition Date: 07-02-2007

Disposition Status: Approved

Effective Date (New): 07-01-2007

Effective Date (Renewal): 07-01-2007

Effective Date Requested (New): 07-01-2007

Effective Date Requested (Renewal): 07-01-2007

General Information

Project Name: Initial Equipment Breakdown Policy product filing

Project Number:

Reference Organization:

Reference Title:

Filing Status Changed: 07-02-2007

State Status Changed: 06-19-2007

Corresponding Filing Tracking Number:

Filing Description:

Triangle Insurance Company, Inc. is making its initial Equipment Breakdown Policy filing. This product provides equipment breakdown coverage for the companies cotton gin clients and is reinsured with The Hartford Steam Boiler Inspection and Insurance Company. The company writes this product in Oklahoma, Texas, Kansas, and Mississippi.

Status of Filing in Domicile: Authorized

Domicile Status Comments:

Reference Number:

Advisory Org. Circular:

Deemer Date:

In consideration of the potential termination of TRIA we are adopting current ISO Terrorism Forms.

We intend to use the following forms:

ISO filing numbers include:

CL-2002-OTEMF (IL0959, IL0961)

CL-2004-OTIPP (IL0030)

CL-2006-OTF01 (IL0995)

We will use Terrorism Policyholder Disclosure Notices IL 09 98 01 07, and IL 09 99 01 07 as needed.

Company and Contact

Filing Contact Information

Bret Wilson, Manager, Compliance and
Information

wilsonb@trianglecompanies.com

PO Box 1189

(580) 237-4276 [Phone]

Enid, OK 73702

(580) 233-4847[FAX]

Filing Company Information

Triangle Insurance Company, Inc.

CoCode: 28535

State of Domicile: Oklahoma

PO Box 1189

Group Code:

Company Type: Stock

Enid, OK 73702

Group Name:

State ID Number:

(580) 237-4276 ext. 242[Phone]

FEIN Number: 73-1394760

Filing Fees

Fee Required? Yes

Fee Amount: \$50.00

Retaliatory? No

Fee Explanation:

Per Company: No

COMPANY	AMOUNT	DATE PROCESSED	TRANSACTION #
Triangle Insurance Company, Inc.	\$50.00	06-18-2007	14187083

Correspondence Summary

Dispositions

Status	Created By	Created On	Date Submitted
Approved	Llyweyia Rawlins	07-02-2007	07-02-2007

Objection Letters and Response Letters

Objection Letters				Response Letters		
Status	Created By	Created On	Date Submitted	Responded By	Created On	Date Submitted
Pending	Llyweyia	06-28-2007	06-28-2007			
Industry	Rawlins					
Response						

Disposition

Disposition Date: 07-02-2007

Effective Date (New): 07-01-2007

Effective Date (Renewal): 07-01-2007

Status: Approved

Comment: Per phone conversation with Bret Wilson on 7/2/07, the Arkansas Changes Endst. will take care of the Arbitration clause on the Joint Disputed Loss form TIEB014.

Rate data does NOT apply to filing.

Item Type	Item Name	Item Status	Public Access
Supporting Document	Uniform Transmittal Document-Property & Casualty	Approved	Yes
Form	Witness Clause	Approved	Yes
Form	Policy Jacket	Approved	Yes
Form	Equipment Breakdown Policy Declarations	Approved	Yes
Form	Coverage Part	Approved	Yes
Form	General Conditions	Approved	Yes
Form	Amendatory Endorsement	Approved	Yes
Form	ACV Schedule	Approved	Yes
Form	Contractual Acceptance	Approved	Yes
Form	Deductible Endorsement	Approved	Yes
Form	Direct Coverages Deductible Endorsement	Approved	Yes
Form	Direct Coverages Deductible by Location Endorsement	Approved	Yes
Form	Indirect Coverages Deductible Endorsement	Approved	Yes
Form	Indirect Coverages Deductible by Location Endorsement	Approved	Yes
Form	Errors and Omissions	Approved	Yes
Form	Joint or Disputed Loss	Approved	Yes
Form	Knowledge of Occurrence	Approved	Yes
Form	Special AC Ded	Approved	Yes
Form	Modified Production Machinery Exclusion	Approved	Yes
Form	Spare Parts Restriction - Sch Parts	Approved	Yes
Form	Spare Parts Restriction - Sch Equip	Approved	Yes
Form	Arkansas Changes	Approved	Yes
Form	Cotton Gin Bale Press Exclusion	Approved	Yes

Objection Letter

Objection Letter Status Pending Industry Response

Objection Letter Date 06-28-2007

Submitted Date 06-28-2007

Dear Bret Wilson,

After reviewing the form filing, the following will need to be implemented.

Form: Joint for Disputed Loss TIEB014, Page 2 of 2, Arbitration Clause.

The arbitration clause(s) found in this filing should be amended to comply with Ark. Code Ann. §23- 79-203 and Arkansas Bulletin No. 19-89.

The clause(s) must specifically state it is non-binding and voluntary.

Please feel free to contact me if you have questions.

Llyweyia Rawlins

Certified Rate and Form Analyst

Property and Casualty Division

501-371-2809 Fax 501-371-2748

Email: Llyweyia.rawlins@arkansas.gov

Sincerely,

Llyweyia Rawlins

Form Schedule

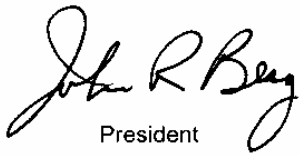
Review Status	Form Name	Form #	Edition Date	Form Type	Action	Action Specific Data	Readability	Attachment
Approved	Witness Clause	PCPX001	0600	Other	New		0.00	PCPX001 0600 Witness Clause.pdf
Approved	Policy Jacket	TIEB001	1102	Other	New		0.00	TIEB001 1102 Jacket.pdf
Approved	Equipment Breakdown Policy Declarations	TIEB002	0707	Declaration	New s/Schedule		0.00	TIEB002 0707 Policy Declaration Page.pdf
Approved	Coverage Part	TIEB003	0501	Policy/Cove	New range Form		0.00	TIEB003 0501 cov part.pdf
Approved	General Conditions	TIEB004	0501	Endorseme	New nt/Amendm ent/Condi ti ons		0.00	TIEB004 0501 General Conditions.p df
Approved	Amendatory Endorsement	TIEB005	0501	Endorseme	New nt/Amendm ent/Condi ti ons		0.00	TIEB005 0501 Amendatory End.pdf
Approved	ACV Schedule	TIEB006	0501	Endorseme	New nt/Amendm ent/Condi ti ons		0.00	TIEB006 0501 ACV Sch.pdf
Approved	Contractual Acceptance	TIEB007	0501	Policy/Cove	New range Form		0.00	TIEB007 0501 Contractual Acceptance. pdf
Approved	Deductible Endorsement	TIEB008	0501	Endorseme	New nt/Amendm ent/Condi ti ons		0.00	TIEB008 0501 Ded.pdf
Approved	Direct Coverages Deductible Endorsement	TIEB009	0501	Endorseme	New nt/Amendm ent/Condi ti ons		0.00	TIEB009 0501 Direct Cov Ded.pdf
Approved	Direct Coverages	TIEB010	0501	Endorseme	New		0.00	TIEB010


	Deductible by Location Endorsement			nt/Amendm ent/Condi tions		0501 Dir Cov Ded by Loc.pdf
Approved	Indirect Coverages Deductible Endorsement	TIEB011	0501	Endorseme New nt/Amendm ent/Condi tions	0.00	TIEB011 0501 Indirect Cov Ded.pdf
Approved	Indirect Coverages Deductible by Location Endorsement	TIEB012	0501	Endorseme New nt/Amendm ent/Condi tions	0.00	TIEB012 0501 Indir Cov Ded by Loc.pdf
Approved	Errors and Omissions	TIEB013	0501	Policy/CoveNew rage Form	0.00	TIEB013 0501 Errors & Omissions.p df
Approved	Joint or Disputed Loss	TIEB014	0501	Policy/CoveNew rage Form	0.00	TIEB014 0501 Joint or Disputed Loss.pdf
Approved	Knowledge of Occurrence	TIEB015	0501	Policy/CoveNew rage Form	0.00	TIEB015 0501 Knowledge of Accurrence. pdf
Approved	Special AC Ded	TIEB016	0501	Endorseme New nt/Amendm ent/Condi tions	0.00	TIEB016 0501 Special AC Ded.pdf
Approved	Modified Production Machinery Exclusion	TIEB017	0501	Endorseme New nt/Amendm ent/Condi tions	0.00	TIEB017 0501 Modified Prod Mach Excl.pdf
Approved	Spare Parts Restriction - Sch Parts	TIEB018	0501	Endorseme New nt/Amendm ent/Condi tions	0.00	TIEB018 0501 Spare Parts Restriction _sched parts_.pdf
Approved	Spare Parts Restriction - Sch Equip	TIEB019	0501	Endorseme New nt/Amendm ent/Condi	0.00	TIEB019 0501 Spare Parts

ons						Restriction _sch equip_.pdf
Approved	Arkansas Changes	TIEB031	0706	Endorseme New nt/Amendm ent/Condi ons	0.00	TIEB031 0707 Arkansas Changes.pdf
Approved	Cotton Gin Bale Press Exclusion	TIEB029	0507	Endorseme New nt/Amendm ent/Condi ons	0.00	TIEB029 0507 Cotton Gin Bale Press Exclusion.pdf

MANDATORY ENDORSEMENT

In Witness Whereof, we have caused this policy to be executed and attested by our President and Secretary, but this policy shall not be valid unless countersigned by our authorized representative.


President


Secretary



TRIANGLE INSURANCE COMPANY

Home Office - P.O. Box 1189 - Enid, Oklahoma 73702

EQUIPMENT BREAKDOWN POLICY

THESE POLICY PROVISIONS WITH THE DECLARATIONS PAGE AND ENDORSEMENTS,
IF ANY, ISSUED TO FORM A PART THEREOF, COMPLETE THIS POLICY.
POLICY PERIOD BEGINS AND ENDS AT 12:01 A.M. STANDARD TIME.



Declaration Page

Equipment Breakdown Coverage Part Declarations No. 1

Policy Number	Policy Period 12:01 am		Coverage is Provided by:	Client Number
	From	To		
			TRIANGLE INSURANCE COMPANY	
Named Insured & Address			Producer	

Equipment Breakdown Coverage

Coverage listed in the table below is provided subject to the policy terms and to the
LIMIT for EQUIPMENT BREAKDOWN unless otherwise specified.

Total Premium

The following coverages apply to all locations listed in the schedule below for
Equipment Breakdown Coverage Part Declarations No. 1.

COVERAGES

LIMITS

Equipment Breakdown Limit	10,000,000
Property Damage	Included
Business Income	Included
Extra Expense	Included
Service Interruption	1,000,000
Perishable Goods	100,000
Computer Equipment	100,000
Demolition and ICC	Included
Expediting Expenses	Included
Hazardous Substances	100,000
CFC Refrigerants	Included
Newly Acquired Locations	1,000,000

DEDUCTIBLES

Direct Loss	5,000
Indirect Loss	Average Daily Value times 1
Deductible Exceptions - Please see Endorsements	

OTHER CONDITIONS

Extended Business Income	30 days
Newly Acquired Locations	120 days

Covered equipment does not include any Fishburne Press.

Any other business, manufacturing or processing other than cotton ginning is excluded from coverage.

Service Interruption Coverage will not apply unless the failure or disruption of service exceeds 24 hours immediately following the "accident".

SCHEDULE OF LOCATIONS

Location Number	Coverage Part Declarations Number	Location Address
1	1	

EQUIPMENT BREAKDOWN COVERAGE FORM

Various provisions in this policy restrict coverage. Read the entire policy carefully to determine rights, duties, and what is and is not covered.

Throughout this policy, the words "you" and "your" refer to the Named Insured shown in the Declarations. The words "we," "us" and "our" refer to the Company providing this Insurance. Other words and phrases that appear in quotation marks have special meaning. Refer to Section G - DEFINITIONS, except for "accident" and "covered equipment," which are defined in A.1.a. and b. below.

A. COVERAGE

1. Covered Cause of Loss

The insurance provided by this Coverage Part applies to the direct result of an "accident" to "covered equipment."

a. **"Accident"** means direct physical loss as follows:

- (1) Mechanical breakdown, including rupture or bursting caused by centrifugal force;
- (2) Artificially generated electrical current, including electrical arcing, that disturbs electrical devices, appliances or wires;
- (3) Explosion of steam boilers, steam piping, steam engines or steam turbines owned or leased by you, or operated under your control;
- (4) Loss or damage to steam boilers, steam pipes, steam engines or steam turbines caused by or resulting from any condition or event inside such equipment; or
- (5) Loss or damage to hot water boilers or other water heating equipment caused by or resulting from any condition or event inside such boilers or equipment.

b. **"Covered Equipment,"** unless specified otherwise in the Declarations, means any property built to operate under vacuum or pressure, other than weight of contents, or used for the generation, transmission or utilization of energy.

Such property must be at a location described in the Declarations and must be owned or leased by you or operated under your control, except as specifically provided for under Service Interruption coverage and the Service Interruption component of other coverages.

2. Coverages Provided

The following coverages are provided if shown in the Declarations.

The "accident" must occur during the Policy Period, but expiration of the policy does not limit our liability.

a. Property Damage

We will pay for direct damage to "covered property."

b. Business Income

- (1) We will pay your actual loss of "business income" that results directly from the necessary total or partial interruption of your business.
- (2) We will also pay any necessary expenses you incur to reduce the amount of loss under this coverage. We will pay for such expenses to the extent that they

do not exceed the amount of

loss that otherwise would have been payable under this coverage.

- (3) We will consider the actual experience of your business before the "accident" and the probable experience you would have had without the "accident" in determining the amount of our payment.
- (4) This coverage continues until the date the damaged property is repaired or replaced, plus the number of days shown in the Declarations for Extended Business Income.

c. Extra Expense

We will pay the reasonable "extra expense" to operate your business

during a total or partial interruption of business.

d. Service Interruption

(1) Any insurance provided for Business Income and Extra Expense coverages is extended to apply to loss as qualified below.

(2) The "covered equipment" is owned by a

- (a) Utility,
- (b) Landlord, or
- (c) Other supplier

with whom you have a contract to provide you with any of the following services: electrical power, communications, waste disposal, air conditioning, refrigeration, heating, gas, air, water or steam.

e. Perishable Goods

- (1) We will pay for your loss of "perishable goods" due to spoilage.
- (2) We will also pay for such loss caused by an "accident" to "covered equipment" owned by a
 - (a) Utility,
 - (b) Landlord, or
 - (c) Other supplierwith whom you have a contract to provide you with any of the following services: electrical power, communications, waste disposal, air conditioning, refrigeration, heating, gas, air, water or steam.
- (3) We will also pay for your loss of "perishable goods" due to contamination from the release of refrigerant, including but not limited to ammonia.
- (4) We will also pay any necessary expenses you incur to reduce the amount of loss under this coverage. We will pay for such expenses to the extent that they do not exceed the amount of loss that otherwise would have been payable under this coverage.

f. Computer Equipment

We will pay for direct damage to "computer equipment" that is damaged by an "accident" to such equipment. We will also pay for loss as described

in Business Income and Extra Expense coverages caused by such damage, if these coverages are indicated in the Declarations.

g. Demolition and ICC (Increased Cost of Construction)

If an "accident" to "covered equipment" damages a building that is "covered property"; and the loss is increased by enforcement of any ordinance or law in force at the time of the "accident" that regulates the construction or repair of buildings, or establishes zoning or land use requirements, we will pay for the following additional costs to comply with such ordinance or law:

- (1) Your actual expenditures for the cost to demolish and clear the site of undamaged parts.
- (2) Your actual expenditures for increased costs to repair, rebuild or construct the building. If the building is repaired or rebuilt, it must be intended for similar use or occupancy as the current building, unless otherwise required by zoning or land use ordinance or law.
- (3) Your loss as described in Business Income and Extra Expense coverages caused by loss covered in (1) or (2) above, if these coverages are indicated in the Declarations.

We will not pay for:

- (4) Any fine;
- (5) Any liability to a third party;
- (6) Any increase in loss due to a "hazardous substance"; or
- (7) Increased construction costs until the building is actually repaired or replaced.

h. Expediting Expenses

With respect to your damaged "covered property," we will pay the reasonable extra cost to:

- (1) Make temporary repairs; and
- (2) Expedite permanent repairs or permanent replacement.

i. Hazardous Substances

We will pay for the additional cost to repair or replace "covered property"

because of contamination by a "hazardous substance." This includes the additional expenses to clean up or dispose of such property.

Additional costs mean those beyond what would have been required had no "hazardous substance" been involved.

We will also pay for additional loss as described in Business Income, Extra Expense and Perishable Goods coverages caused by such contamination, if these coverages are indicated in the Declarations.

j. CFC Refrigerants

We will pay for the additional cost to repair or replace "covered property" because of the use or presence of a refrigerant containing CFC (chlorinated fluorocarbon) substances. This means the additional expense to do the least expensive of the following:

- (1) Repair the damaged property and replace any lost CFC refrigerant;
- (2) Repair the damaged property, retrofit the system to accept a non-CFC refrigerant and charge the system with a non-CFC refrigerant; or
- (3) Replace the system with one using a non-CFC refrigerant.

Additional costs mean those beyond what would have been required had no CFC refrigerant been involved.

We will also pay for additional loss as described in Business Income, Extra Expense and Perishable Goods coverages caused by such loss, if these coverages are indicated in the Declarations.

k. Newly Acquired Locations

All coverages provided by this Coverage Part are extended to a newly acquired location that you have purchased or leased. This automatic coverage begins at the time you acquire the property and is subject to the following conditions:

- (1) You agree to pay an additional premium as determined by us. Such additional premium will be computed from the date of acquisition.
- (2) You report the location to us no

later than the number of days specified in the Declarations for this coverage after the date you acquire the location.

- (3) Insurance under this coverage for each newly acquired location will end when any of the following first occurs:
 - (a) This Policy expires;
 - (b) The number of days specified in the Declarations for this coverage expire after you acquire the location; or
 - (c) The location is more specifically insured.
- (4) If limits or deductibles vary by location, the highest limits and deductibles will apply.

l. Defense

This coverage is automatically included and does not need to be indicated in the Declarations.

- (1) If a claim or "suit" is brought against you alleging that you are liable for damage to property of another in your care, custody or control, that was directly caused by an "accident" to "covered equipment," we will either:
 - (a) Settle the claim or "suit," or
 - (b) Defend you against the claim or "suit" but keep for ourselves the right to settle it at any point.
- (2) We will pay, with respect to any claim or "suit" we defend:
 - (a) All expenses we incur;
 - (b) The cost of bonds to release attachments. We do not have to furnish these bonds;
 - (c) All reasonable expenses incurred by you at our request to assist us in the investigation or defense of the claim or "suit," including actual loss of earnings up to \$250 a day because of time off from work;
 - (d) All costs taxed against you in any "suit" we defend;
 - (e) Prejudgment interest awarded against you on that part of the judgment we pay.

If we make an offer to pay the applicable limits, we will not pay any prejudgment interest based on that period of time after the offer; and

- (f) All interest on the full amount of any judgment that accrues after entry of the judgment and before we have paid, offered to pay, or deposited in court the part of the judgment that is within the applicable limits.

B. EXCLUSIONS

- 1. We will not pay for loss or damage caused by or resulting from:

- a. Depletion, deterioration, corrosion, erosion, wear and tear, or other gradually developing conditions.
But if loss or damage from an "accident" results, we will pay for that resulting loss or damage.
- b. The enforcement of any ordinance, law, regulation, rule or ruling regulating or restricting repair, replacement, alteration, use, operation, construction or installation, except as provided under the following coverages: Demolition and ICC, Hazardous Substances or CFC Refrigerants.
- c. Any earth movement, including but not limited to earthquake, subsidence, sinkhole collapse, landslide, mudslide, earth sinking, tsunami or volcanic action.
- d. Flood, surface water, waves, tides, tidal waves, overflow of any body of water, or their spray, all whether driven by wind or not.

However, if electrical "covered equipment" requires drying out because of the above, we will pay for the direct expenses of such drying out, subject to the applicable Property Damage limit and Direct Coverage deductible.

- e. Windstorm or hail.

However, we will pay if:

- (1) "Covered equipment" located within a building or structure suffers an "accident" that results from rain, snow, sand or dust; and
- (2) The building or structure did not

first sustain wind or hail damage to its roof or walls through which the rain, snow, sand or dust entered.

- f. Nuclear reaction or radiation, or radioactive contamination, however caused.
- g. War, including undeclared or civil war; Warlike action by a military force, including action in hindering or defending against an actual or expected attack, by any government, sovereign or other authority using military personnel or other agents; or Insurrection, rebellion, revolution, usurped power or action taken by governmental authority in hindering or defending against any of these.
- h. Fire or combustion explosion, whether or not caused by or resulting from an "accident."
- i. Any of the following tests:
 - (1) A hydrostatic, pneumatic or gas pressure test of any boiler or pressure vessel; or
 - (2) An insulation breakdown test of any type of electrical equipment.
- j. Water or other means used to extinguish a fire, even when such an attempt is unsuccessful.
- k. Any of the following causes of loss, if coverage for that cause of loss is provided by another coverage part or policy of insurance you have, whether collectible or not:
 - (1) Lightning, Explosion (except for steam or centrifugal explosion); Smoke, Aircraft or Vehicles, Riot or Civil Commotion, Vandalism or Sprinkler Leakage;
 - (2) Breakage of Glass, Falling Objects, Weight of Snow, Ice or Sleet or Water Damage (including Water Damage that is the result of an "accident"); or
 - (3) Freezing (caused by cold weather), Collapse or Molten Material.
- 2. With respect to Business Income, Extra Expense and Service Interruption coverages, we will also not pay for:
 - a. Loss caused by your failure to use due diligence and dispatch and all

- reasonable means to resume business at the described location;
- b. That part of any loss that is due solely to the suspension, lapse or cancellation of a contract following an "accident" extending beyond the time Business Income is applicable; or
 - c. Delay in resuming operations due to the need to reconstruct or reinput data or programs on "media."
3. With respect to Service Interruption coverage and paragraph (2) of Perishable Goods coverage, we will also not pay for loss caused by or resulting from any of the causes of loss named in Exclusion 1.k. above, whether or not coverage for such cause of loss is provided by another coverage part or policy of insurance you have.
 4. With respect to Perishable Goods coverage, we will also not pay for loss or damage as a result of your failure to use all reasonable means to protect the perishable goods from damage following an "accident."
 5. With respect to Computer Equipment coverage, we will also not pay for loss or damage caused by or resulting from any defect, virus, loss of data or other situation within "media."
But if loss or damage from an "accident" results, we will pay for that resulting loss or damage.
 6. None of the following is "covered equipment":
 - a. Structure, foundation, cabinet, compartment, or air supported structure or building;
 - b. Insulating or refractory material;
 - c. Sewer piping, underground vessels or piping, any piping forming a part of a sprinkler system or water piping other than:
 - (1) Boiler feed water piping;
 - (2) Boiler condensate return piping; or
 - (3) Water piping forming a part of refrigerating or air conditioning system;
 - d. Vehicle, aircraft, floating vessel or any equipment mounted on such vehicle, aircraft or floating vessel;
 - e. Dragline, excavation or construction

- equipment; or
- f. Equipment manufactured by you for sale.

7. "Covered property" does not include live animals.

C. LIMITS OF INSURANCE

Any payment made under this Coverage Part will not be increased if more than one insured is shown in the Declarations.

If two or more limits apply to the same portion of a loss, we will only pay the smaller limit for that portion of the loss.

1. Equipment Breakdown Limit

The most we will pay for loss or damage arising from any "one accident" is the amount shown as the Equipment Breakdown Limit in the Declarations. This total limit applies to all coverages under this Coverage Part except Defense. The costs we incur under the Defense coverage shall not reduce the available Equipment Breakdown Limit.

2. Coverage Limits

The limit of your insurance under each of the coverages from loss or damage arising from any "one accident" is the amount shown in the Declarations for that coverage. These limits are a part of, and not in addition to, the Equipment Breakdown Limit. If an amount of time is shown, coverage will continue for no more than that amount of time immediately following the "accident."

EXAMPLE 1 (Coverages that Do Not Overlap)

If there is "one accident" that results in loss under Property Damage and Business Income coverages, the limits for those coverages will

both be available, up to a combined amount not to exceed the Equipment Breakdown Limit.

EXAMPLE 2 (Coverages that Overlap)

If there is "one accident" that results in loss under Property Damage coverage and that is covered because of Newly Acquired Locations coverage, the overlapping portion of the loss, which in this case is the entire loss amount, will be subject to the smaller limit.

D. DEDUCTIBLE

If deductibles vary by type of "covered equipment" and more than one type of "covered equipment" is involved in any "one accident," the highest deductibles will apply.

1. Direct and Indirect Coverages

Unless otherwise shown in the Declarations, the Direct Coverages Deductibles apply to all loss or damage covered by this Coverage Part, with the exception of those coverages subject to the Indirect Coverages Deductibles as noted below.

Unless more specifically indicated in the Declarations, the Indirect Coverages Deductibles apply to Business Income, Extra Expense, Service Interruption, and the extensions of those Coverages included in other Coverages.

Defense Coverage is not subject to a deductible.

2. Application of Deductibles

a. Dollar Deductibles

We will not pay for loss or damage resulting from any "one accident" until the amount of loss or damage exceeds the applicable deductible or deductibles shown in the Declarations. We will then pay the amount of loss or damage in excess of the applicable deductible or deductibles, subject to the applicable limits shown in the Declarations.

b. Time Deductibles

If a time deductible is shown in the Declarations, we will not be liable for any loss occurring during the specified number of hours or days immediately following the "accident." If a time deductible is expressed in days, each day shall mean twenty-four consecutive hours.

c. Multiple of Average Daily Value (ADV) Deductibles

If a deductible is expressed as a number times ADV, that amount will be calculated as follows:

The ADV (Average Daily Value) will be the "business income" that would have been earned had no "accident" occurred during the period of interruption of business divided by the number of working days in that period. No reduction shall be made for the "business income" not being earned, or in the number of working days, because of the "accident" or any other scheduled or unscheduled shutdowns

during the period of interruption. The ADV applies to all locations included in the valuation of the loss.

The number indicated in the Declarations will be multiplied by the ADV as determined above. The result will be used as the applicable deductible.

EXAMPLE

Business is interrupted, partially or completely, for 10 days. If there had been no "accident," the total "business income" for those 10 days would have been \$5,000. The Indirect Coverages Deductible is 3 Times ADV.

$\$5,000 / 10 = \500 ADV

$3 \times \$500 = \$1,500$ Indirect Coverages Deductible

d. Percentage of Loss Deductibles

If a deductible is expressed as a percentage of loss, we will not be liable for the indicated percentage of the gross amount of loss or damage (prior to any applicable deductible or coinsurance) insured under the applicable coverage extension. If the dollar amount of such percentage is less than the indicated Minimum Deductible, the Minimum Deductible will be the applicable deductible.

E. LOSS CONDITIONS

The following conditions apply in addition to the Common Policy Conditions:

1. Abandonment

There can be no abandonment of any property to us.

2. Appraisal

If we admit liability for a loss and we and you disagree on the value of the property or "business income", either may make written demand for an appraisal of the loss. In this event, each party will select a competent and impartial appraiser. The two appraisers will select an umpire. If they cannot agree, either may request that selection be made by a judge of a court having jurisdiction. The appraisers will state separately the value of the property or "business income." If they fail to agree, they will submit their differences to the umpire. A decision agreed to by any two will be binding. Each party will:

- a. Pay its chosen appraiser; and
- b. Bear the other expenses of the

appraisal and umpire equally.

3. Brands and Labels

If branded or labeled merchandise that is “covered property” is damaged by an “accident” to “covered equipment”, but retains a salvage value, you may, at your expense:

- a. Stamp the word SALVAGE on the merchandise or its containers if the stamp will not physically damage the merchandise; or
- b. Remove the brands or labels, if doing so will not physically damage the merchandise. You must re-label the merchandise or its containers to comply with the law.

We will pay for any reduction in value of the salvage merchandise resulting from either of these two actions.

If a Brands and Labels Limit is shown on the Declarations, we will not pay more than the indicated amount for coverage under this Condition.

4. Coinsurance

a. Business Income

Unless otherwise shown in the Declarations, Business Income Coverage is subject to coinsurance. When coinsurance applies, we will not pay the full amount of any “business income” loss if the “business income actual annual value” is greater than the “business income estimated annual value.” Instead, we will determine the most we will pay using the following steps:

- (1) Divide the “business income estimated annual value” by the “business income actual annual value” at the time of the “accident”;
- (2) Multiply the total amount of the covered loss of “business income” by the figure determined in paragraph (1) above;
- (3) Subtract the applicable Deductible from the amount determined in paragraph (2) above;

The resulting amount, or the Business Income Limit, whichever is less, is the most we will pay. We will not pay for the remainder of the loss.

This provision applies separately to

each insured location.

EXAMPLE 1 (Underinsurance)

When:

The “business income actual annual value” at the location of loss at the time of the “accident” is \$200,000.

The “business income estimated annual value” shown in the Declarations for the location of loss is \$100,000.

The actual loss of “business income” resulting from the “accident” is \$40,000.

The Business Income Limit is \$1,000,000.

The Business Income Deductible is \$5,000.

Step 1: $\$100,000 / \$200,000 = .5$

Step 2: $\$40,000 \times .5 = \$20,000$

Step 3: $\$20,000 - \$5,000 = \$15,000$

The total “business income” loss recovery, after deductible, would be \$15,000. For the remainder, you will either have to rely on other insurance or absorb the loss yourself.

EXAMPLE 2 (Adequate insurance)

When:

The “business income actual annual value” at the location of loss at the time of the “accident” is \$200,000.

The “business income estimated annual value” shown in the Declarations for the location of loss is \$200,000.

The actual loss of “business income” resulting from the “accident” is \$40,000.

The Business Income Limit is \$1,000,000.

The Business Income Deductible is \$5,000.

Step 1: $\$200,000 / \$200,000 = 1$

Step 2: $\$40,000 \times 1 = \$40,000$

Step 3: $\$40,000 - \$5,000 = \$35,000$

The total “business income” loss recovery, after deductible, would be \$35,000.

b. Other Coinsurance

If indicated in the Declarations, specified coverages may be subject to coinsurance. We will not pay for the full amount of your loss if the applicable limit is less than the product of the specified coinsurance percentage times the value of the property subject to the coverage at the time of the loss. Instead, we will determine what percentage this calculated product is compared to the applicable limit and apply that percentage to the gross amount of loss. We will then subtract the

applicable Deductible. The resulting amount, or the applicable limit, is the most we will pay. We will not pay for the remainder of the loss.

EXAMPLE 1 (Underinsurance)

When:

The value of perishable goods at the location of loss at the time of the "accident" is \$200,000.

The Perishable Goods Limit is \$100,000 @ 80% Coinsurance.

The actual loss under Perishable Goods Coverage resulting from the "accident" is \$40,000.

The Perishable Goods Deductible is \$5,000.

Step 1: $\$200,000 \times 80\% = \$160,000$

Step 2: $\$100,000 / \$160,000 = .625$

Step 3: $\$40,000 \times .625 = \$25,000$

Step 4: $\$25,000 - \$5,000 = \$20,000$

The total Perishable Goods loss recovery, after deductible, would be \$20,000. For the remainder, you will either have to rely on other insurance or absorb the loss yourself.

EXAMPLE 2 (Adequate insurance)

When:

The value of perishable goods at the location of loss at the time of the "accident" is \$100,000.

The Perishable Goods Limit is \$100,000 @ 80% Coinsurance.

The actual loss under Perishable Goods Coverage resulting from the "accident" is \$40,000.

The Perishable Goods Deductible is \$5,000.

Step 1: $\$100,000 \times 80\% = \$80,000$

Step 2: $\$100,000 / \$80,000 = 1.25$

Coinsurance does not apply.

Step 3: $\$40,000 - \$5,000 = \$35,000$

The total Perishable Goods loss recovery, after deductible, would be \$35,000.

5. Duties In the Event of Loss or Damage

You must see that the following are done in the event of loss or damage:

- a. Give us prompt notice of the loss or damage. Include a description of the property involved;
- b. As soon as possible, give us a description of how, when and where the loss or damage occurred;
- c. Allow us a reasonable time and opportunity to examine the property and premises before repairs are undertaken or physical evidence of the "accident" is removed. But you must take whatever measures are necessary for protection from further damage;
- d. Permit us to inspect the property and records. Also permit us to take samples of damaged and undamaged property for inspection, testing and analysis;
- e. If requested, permit us to question you under oath, at such times as may be reasonably required about any matter relating to this insurance or your claim including your books and records. In such event, your answers must be signed;
- f. Send us a signed, sworn proof of loss containing the information we request to settle the claim. You must do this within 60 days after our request;
- g. Cooperate with us in the investigation and settlement of the claim;

- h. Promptly send us any legal papers or notices received concerning the loss or damage; and
- i. Make no statement that will assume any obligation or admit any liability, for any loss or damage for which we may be liable, without our consent.

We may examine any insured under oath, while not in the presence of any other insured and at such times as may be reasonably required, about any matter relating to this insurance or the claim, including an insured's books and records. In the event of an examination, an insured's answers must be signed.

6. Reducing Your Loss

You must reduce your loss, if possible, by:

- a. Resuming business, partially or completely;
- b. Making up lost business within a reasonable amount of time. This includes working extra time or overtime at the location of loss or at another location. The reasonable amount of time does not necessarily end when the operations are resumed;
- c. Using merchandise or other property available to you;
- d. Using the property or services of others; or
- e. Salvaging the damaged property.

7. Salvage and Recoveries

When, in connection with any loss under this Coverage Part, any salvage or recovery is received subsequent to the payment of such loss, the loss shall be refigured on the basis on which it would have been settled had the amount of salvage or recovery been known at the time the loss was originally determined. Any amounts thus found to be due either party from the other shall be paid promptly.

8. Valuation

- a. Our payment for damaged "covered property" will be the smallest of:
 - (1) The cost to repair the damaged property;
 - (2) The cost to replace the damaged property on the same site; or
 - (3) The amount you actually spend that is necessary to repair or

replace the damaged property.

- b. You must pay the extra cost of replacing damaged property with property of a better kind or quality or of a different size or capacity.
- c. If you do not repair or replace the damaged property within 24 months after the date of the "accident," then we will pay only the smaller of the:
 - (1) Cost it would have taken to repair at the time of the "accident"; or
 - (2) Actual cash value; at the time of the "accident."
- d. If any of the following conditions are met, property held by you for sale will be valued at the sales price as if no loss or damage had occurred, less any discounts and expenses you otherwise would have had:
 - (1) The property was manufactured by you;
 - (2) The sales price of the property is less than the replacement cost of the property; or
 - (3) You are unable to replace the property before its anticipated sale.
- e. "Media" will be valued on the following basis:
 - (1) For "media" that are mass-produced and commercially available, at the replacement cost.
 - (2) For all other "media," at the cost of blank material for reproducing the records.

F. ADDITIONAL CONDITIONS

The following conditions apply in addition to the Common Policy Conditions:

1. Additional Insured

If a person or organization is designated in this Coverage Part as an additional insured, we will consider them to be an insured under this Coverage Part only to the extent of their interest.

2. Bankruptcy

The bankruptcy or insolvency of you or your estate will not relieve us of any obligation under this Coverage Part.

3. Concealment, Misrepresentation or Fraud

We will not pay for any loss if you or any other Named Insured at any time intentionally conceal or misrepresent a material fact concerning:

- a. This Coverage Part;
- b. The "covered property";
- c. Your interest in the "covered property"; or
- d. A claim under this Coverage Part.

4. Legal Action Against Us

No one may bring a legal action against us under this Policy unless:

- a. There has been full compliance with all the terms of this Policy; and
- b. The action is brought within two years after the date of the "accident"; or
- c. We agree in writing that you have an obligation to pay for damage to "covered property" of others or until the amount of that obligation has been determined by final judgment or arbitration award. No one has the right under this Policy to bring us into an action to determine your liability.

5. Liberalization

If we adopt any revision that would broaden the coverage under this Coverage Part without additional premium within 45 days prior to or during the policy period, the broadened coverage will immediately apply to this Coverage Part.

6. Loss Payable

- a. We will pay you and the loss payee shown in the Declarations for loss covered by this Coverage Part, as interests may appear. The insurance covers the interest of the loss payee unless the loss results from conversion, secretion or embezzlement on your part.
- b. We may cancel the policy as allowed by the Cancellation Condition. Cancellation ends this agreement as to the loss payee's interest. If we cancel, we will mail you and the loss payee the same advance notice.
- c. If we make any payment to the loss payee, we will obtain their rights against any other party.

7. Mortgage Holders

- a. The term mortgage holder includes trustee.
- b. We will pay for direct damage to "covered property" due to an "accident" to "covered equipment" to you and each mortgage holder shown in the Declarations in their order of precedence, as interests may appear.
- c. The mortgage holder has the right to receive loss payment even if the mortgage holder has started foreclosure or similar action on the "covered property."
- d. If we deny your claim because of your acts or because you have failed to comply with the terms of this Coverage Part, the mortgage holder will still have the right to receive loss payment if the mortgage holder:
 - (1) Pays any premium due under this Coverage Part at our request if you have failed to do so;
 - (2) Submits a signed, sworn proof of loss within 60 days after receiving notice from us of your failure to do so; and
 - (3) Has notified us of any change in ownership or material change in risk known to the mortgage holder.

All of the terms of this Coverage Part will then apply directly to the mortgage holder.

- e. If we pay the mortgage holder for any loss and deny payment to you because of your acts or because you have failed to comply with the terms of this Coverage Part:
 - (1) The mortgage holder's right under the mortgage will be transferred to us to the extent of the amount we pay; and
 - (2) The mortgage holder's right to recover the full amount of the mortgage holder's claim will not be impaired.

At our option, we may pay to the mortgage holder the whole principal on the mortgage plus any accrued interest. In this event, your mortgage and note will be transferred to us and you will pay your remaining mortgage debt to us.

- f. If we cancel this policy, we will give written notice to the mortgage holder at least:
 - (1) 10 days before the effective date of cancellation if we cancel for your nonpayment of premium; or
 - (2) 30 days before the effective date of cancellation if we cancel for any other reason.
- g. If we elect not to renew this policy, we will give written notice to the mortgage holder at least 10 days before the expiration date of this policy.
- h. If we suspend coverage, it will also be suspended as respects the mortgage holder. We will give written notice of the suspension to the mortgage holder.

8. Other Insurance

- a. You may have other insurance subject to the same plan, terms, conditions and provisions as the insurance under this Coverage Part. If you do, we will pay our share of the covered loss or damage. Our share is the proportion that the applicable limits under this Coverage Part bear to the Limits of Insurance of all insurance covering on the same basis.
- b. If there is other insurance covering the same loss or damage, other than that described in (a) above, we will pay only the amount of covered loss or damaged in excess of the amount due from that other insurance, whether you can collect on it or not.

In no case will we pay more than the applicable limits.

9. Policy Period, Coverage Territory

Under this Coverage Part:

- a. The "accident" must occur:
 - (1) During the Policy Period shown in the Declarations; and
 - (2) Within the Coverage Territory.
- b. The Coverage Territory is:
 - (1) The United States of America (including its territories and possessions);
 - (2) Puerto Rico; and

- (3) Canada.

10. Privilege to Adjust with Owner

In the event of loss or damage involving property of others in your care, custody or control, we have the right to settle the loss or damage with respect to such property with the owner of the property. A receipt for payment from the owners of that property will satisfy any claim of yours.

11. Suspension

Whenever "covered equipment" is found to be in, or exposed to, a dangerous condition, any of our representatives may immediately suspend the insurance against loss from an "accident" to that "covered equipment." This can be done by delivering or mailing a written notice of suspension to:

- a. Your last known address; or
- b. The address where the "covered equipment" is located.

Once suspended in this way, your insurance can be reinstated only by an endorsement for that "covered equipment."

If we suspend your insurance, you will get a pro rata refund of premium for that "covered equipment." But the suspension will be effective even if we have not yet made or offered a refund.

12. Transfer of Rights of Recovery Against Others to Us

If any person or organization to or for whom we make payment under this Coverage Part has rights to recover damages from another, those rights are transferred to us to the extent of our payment. That person or organization must do everything necessary to secure our rights and must do nothing after loss to impair them. But you may waive your rights against another party in writing:

- a. Prior to a loss to your "covered property."
- b. After a loss to your "covered property" only if, at time of loss, that party is one of the following:
 - (1) Someone insured by this insurance; or
 - (2) A business firm:
 - (a) Owned or controlled by you; or
 - (b) That owns or controls you.

G. DEFINITIONS

1. **"Accident"** is defined in A.1.a.,
COVERAGE - Covered Cause of Loss.
2. **"Boilers and Vessels"** means:
 - a. Any boiler, including attached steam, condensate and feedwater piping; and
 - b. Any fired or unfired pressure vessel subject to vacuum or internal pressure other than the static pressure of its contents.

This term does not appear elsewhere in this coverage form, but may appear in the Declarations.
3. **"Business Income"** means the sum of:
 - a. The Net Income (net profit or loss before income taxes) that would have been earned or incurred; and
 - b. Continuing normal operating expenses incurred, including employee payroll.
4. **"Business Income Actual Annual Value"** means the "business income" for the current fiscal year that would have been earned had no "accident" occurred.

In calculating the "business income actual annual value," we will take into account the actual experience of your business before the "accident" and the probable experience you would have had without the "accident."
5. **"Business Income Estimated Annual Value"** means the anticipated "business income" reported to us and shown in the Declarations. If no value is shown in the Declarations, the "business income estimated annual value" will be the most recent report of anticipated "business income" values on file with us.
6. **"Computer Equipment"** means "covered property" that is electronic computer or other electronic data processing equipment, including "media" and peripherals used in conjunction with such equipment.
7. **"Covered Equipment"** is defined in A.1.b.,
COVERAGE - Covered Cause of Loss.
8. **"Covered Property"** means property that:
 - a. You own; or
 - b. Is in your care, custody or control and for which you are legally liable

while at a location described in the Declarations.

9. **"Extra Expense"** means the additional cost you incur to operate your business during the interruption over and above the cost that normally would have been incurred to operate the business during the same period had no "accident" occurred.
10. **"Hazardous Substance"** means any substance other than ammonia that has been declared to be hazardous to health by a governmental agency.
11. **"Media"** means all forms of electronic, magnetic and optical tapes and discs for use in any electronic computer or electronic data processing equipment.
12. **"One Accident"** means:

If an initial "accident" causes other "accidents," all will be considered "one accident." All "accidents" that are the result of the same event will be considered "one accident."
13. **"Perishable Goods"** means any "covered property" subject to deterioration or impairment as a result of a change of conditions, including but not limited to temperature, humidity or pressure.
14. **"Production Machinery"** means:

Any machine or apparatus that processes or produces a product intended for eventual sale. However, "production machinery" does not mean any fired or unfired pressure vessel other than a cylinder containing a movable plunger or piston.

This term does not appear elsewhere in this coverage form, but may appear in the Declarations.
15. **"Suit"** means a civil proceeding to which this insurance applies and includes:
 - a. An arbitration proceeding in which damages are claimed and to which you must submit or do submit with our consent; or
 - b. Any other alternative dispute resolution proceeding in which damages are claimed and to which you submit with our consent.

GENERAL CONDITIONS

I. COMMON POLICY CONDITIONS

A. CANCELLATION

1. The First Named Insured shown in the Declarations may cancel this policy by mailing or delivering to us advance written notice of cancellation.
2. We may cancel this policy by mailing or delivering to the first Named Insured written notice of cancellation at least:
 - a. 10 days before the effective date of cancellation if we cancel for nonpayment of premium; or
 - b. 30 days before the effective date of cancellation if we cancel for any other reason.
3. We will mail or deliver our notice to the first Named Insured's last mailing address known to us.
4. Notice of cancellation will state the effective date of cancellation. The policy period will end on that date.
5. If this policy is canceled, we will send the first Named Insured any premium refund due. If we cancel, the refund will be pro rata. If the first Named Insured cancels, the refund may be less than pro rata. The cancellation will be effective even if we have not made or offered a refund.
6. If notice is mailed, proof of mailing will be sufficient proof of notice.

B. CHANGES

This policy contains all the agreements between you and us concerning the insurance afforded. The first Named Insured shown in the Declarations is authorized to make changes in the terms of this policy with our consent. This policy's terms can be amended or waived only by endorsement issued by us and made a part of this policy.

C. EXAMINATION OF YOUR BOOKS AND RECORDS

We may examine and audit your books and records as they relate to this policy at any

time during the policy period and up to three years afterward.

D. INSPECTIONS AND SURVEYS

We have the right but are not obligated to:

1. Make inspections and surveys at any time;
2. Give you reports on the conditions we find; and
3. Recommend changes.

Any inspections, surveys, reports or recommendations relate only to insurability and the premiums to be charged. We do not make safety inspections. We do not undertake to perform the duty of any person or organization to provide for the health or safety of workers or the public. And we do not warrant that conditions:

1. Are safe or healthful; or
2. Comply with laws, regulations, codes or standards.

This condition applies not only to us, but also to any rating, advisory, rate service or similar organization which makes insurance inspections, surveys, reports or recommendations.

E. PREMIUMS

The first Named Insured shown in the Declarations:

1. Is responsible for the payment of all premiums; and
2. Will be the payee for any return premiums we pay.

F. TRANSFER OF YOUR RIGHTS AND DUTIES UNDER THIS POLICY

Your rights and duties under this policy may not be transferred without our written consent except in the case of death of an individual named insured.

If you die, your rights and duties will be transferred to your legal representative but only while acting within the scope of duties as your legal representative. Until your legal representative is appointed, anyone having proper temporary custody of your property will have your rights and duties but only with respect to that property.

II. CALCULATION OF PREMIUM

The premium shown in the Declarations was computed based on rates in effect at the time the policy was issued. On each renewal, continuation, or anniversary of the effective date of this policy, we will compute the premium in accordance with our rates and rules then in effect.

III. ADJUSTMENT OF PREMIUM

- A. You will report insurable values to us at least once a year.
- B. The premium charged at the inception of each policy year is an advance premium. We will determine an adjusted premium for this insurance.
- C. If the adjusted premium is less than the advance premium, we will return the excess premium to you. Such excess premium will not exceed 75% of the advance premium.
- D. If the adjusted premium is greater than the advance premium, we will charge the additional premium based on your reports of value.

IV. LOSS ADJUSTMENT AGREEMENT

- A. If there is loss or damage insured under this policy and also under a Commercial Property policy and there is disagreement between the insurers with respect to:
 - 1. Whether such damage or destruction was caused by an "accident" insured against by this policy or a Cause of Loss insured against by such Commercial Property policy; or
 - 2. The extent of participation of this policy and of such Commercial Property policy in a loss which is insured against, partially or wholly, by any or all of said policies,

We shall, upon written request from you, pay to you one-half of the amount of the loss which is in disagreement, but in no event more than we would have paid if there had been no Commercial Property policy in effect.

- B. This agreement is subject to the following conditions:
 - 1. The amount of the loss which is in disagreement, after making provisions for any undisputed claims payable

under the policies and after the amount of the loss is agreed upon by you, us and the provider of Commercial Property insurance, is limited to the minimum amount remaining payable under either this policy or the Commercial Property policy.

- 2. The Commercial Property insurer shall simultaneously pay to you one-half of the amount which is in disagreement.
- 3. The payments by us and the Commercial Property insurer and acceptance of those sums by you signify the agreement of us and the Commercial Property insurer to submit to and proceed with arbitration within 90 days of such payment.

There shall be three arbitrators, one of whom shall be appointed by us, one of whom shall be appointed by the Commercial Property insurer and the third appointed by consent of the other two. The decision by the arbitrators shall be binding on us and the Commercial Property insurer and judgment upon such award may be entered in any court of competent jurisdiction.

- 4. You agree to cooperate in connection with but not to intervene in such arbitration.
- 5. The provisions of this agreement shall not apply unless such Commercial Property policy has materially the same agreement in force at the time of the loss.
- 6. Acceptance by you of any payment under this agreement shall not alter, waive, surrender or in any way affect the rights you have against us or the Commercial Property insurer.

V. ERRORS IN DESCRIPTION

We will pay your loss covered by this policy if such loss is otherwise not payable solely because of any unintentional error in describing a location insured under this policy.

You agree to give us prompt notice of any such error when discovered.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

EQUIPMENT BREAKDOWN AMENDATORY ENDORSEMENT

This endorsement modifies insurance provided under the following:
EQUIPMENT BREAKDOWN COVERAGE FORM

Data Restoration

We will pay for your cost to research, replace and restore data, including programs and operating systems, that is lost or corrupted due to a Covered Cause of Loss. This coverage is provided up to a Data Restoration coverage limit of \$100,000. This limit is separate from the Computer Equipment coverage limit. It is part of and not in addition to the Equipment Breakdown Limit.

Environmental, Safety and Efficiency Improvements

If “covered equipment” requires replacement due to a Covered Cause of Loss, we will pay your additional cost to replace with equipment that is better for the environment, safer or more efficient than the equipment being replaced.

However, we will not pay more than 125% of what the cost would have been to repair or replace with like kind and quality. This coverage does not increase any of the applicable limits. This coverage does not apply to any property indicated as being valued on an Actual Cash Value basis.

Jurisdictional Inspections

If any “covered equipment” requires inspection to comply with state or municipal boiler and pressure vessel regulations, we agree to perform such inspection on your behalf.

Machinery Control Computers

Computers used primarily to control or operate machinery will not be subject to the Computer Equipment coverage limit.

Modified Vehicle Definition

Exclusion 6.d. states that a vehicle, aircraft or floating vessel will not be considered “covered equipment.” However, any property that is stationary, permanently installed at a covered location and receives electrical power from an external power supplier will not be considered a vehicle, aircraft or floating vessel.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

ACTUAL CASH VALUE SCHEDULE

This endorsement modifies insurance provided under the following:

EQUIPMENT BREAKDOWN COVERAGE FORM

The property listed below will be valued on an Actual Cash Value basis:

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THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

CONTRACTUAL ACCEPTANCE AGREEMENT

This endorsement modifies insurance provided under the following:

EQUIPMENT BREAKDOWN COVERAGE FORM

We will not pay for any loss resulting from an "accident" to any "covered equipment" occurring prior to the time such "covered equipment" has been:

1. Contractually accepted by you; and
2. Properly installed and completely and satisfactorily tested for its intended usage; and
3. As respects any turbine-generator unit, operated satisfactorily under full load conditions for a minimum of 24 continuous hours.

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THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

DEDUCTIBLES

This endorsement modifies insurance provided under the following:

EQUIPMENT BREAKDOWN COVERAGE FORM

This endorsement applies to declaration 1

For those locations not performing the required preventative maintenance, the deductibles will be:

Direct:	\$25,000
Indirect:	3 times Average Daily Value

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THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

DIRECT COVERAGES DEDUCTIBLE

This endorsement modifies insurance provided under the following:

EQUIPMENT BREAKDOWN COVERAGE FORM

With respect to an “accident” to any equipment described in Column A below, the corresponding amount in Column B is substituted for the deductible amount shown in the Declarations page for Direct Coverages deductible.

Column A

Column B

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THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

**DIRECT COVERAGES DEDUCTIBLE – VARYING BY
LOCATION**

This endorsement modifies insurance provided under the following:

EQUIPMENT BREAKDOWN COVERAGE FORM

With respect to an “accident” at any location described in Column A below, the corresponding amount in Column B is substituted for the deductible amount shown in the Declarations page for Direct Coverages deductible.

Column A

Column B

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THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

INDIRECT COVERAGES DEDUCTIBLE

This endorsement modifies insurance provided under the following:

EQUIPMENT BREAKDOWN COVERAGE FORM

With respect to an “accident” to any equipment described in Column A below, the corresponding amount in Column B is substituted for the deductible amount shown in the Declarations page for Indirect Coverages deductible.

Column A

Column B

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THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

**INDIRECT COVERAGES DEDUCTIBLE – VARYING BY
LOCATION**

This endorsement modifies insurance provided under the following:

EQUIPMENT BREAKDOWN COVERAGE FORM

With respect to an “accident” at any location described in Column A below, the corresponding amount in Column B is substituted for the deductible amount shown in the Declarations page for Indirect Coverages deductible.

Column A

Column B

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THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

ERRORS AND OMISSIONS

This endorsement modifies insurance provided under the following:

EQUIPMENT BREAKDOWN COVERAGE FORM

We will pay your loss covered by this policy if such loss is otherwise not payable solely because of any unintentional error or omission in describing a location insured under this policy or any failure through unintentional error to include any location owned or occupied at policy inception.

You agree to give us prompt notice of any such error when discovered.

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THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

JOINT OR DISPUTED LOSS AGREEMENT

This endorsement modifies insurance provided under the following:

EQUIPMENT BREAKDOWN COVERAGE FORM

- A. This endorsement is intended to facilitate payment of insurance proceeds when:
1. Both a commercial property policy and this Boiler and Machinery policy are in effect,
 2. Damage occurs to Covered Property that is insured by the commercial property policy and this Boiler and Machinery policy; and
 3. There is disagreement between the insurers as to whether there is coverage or as to the amount of the loss to be paid, if any, by each insurer under its own policies.
- B. This endorsement does not apply if:
1. Both the commercial property insurer(s) and we do not admit to any liability; and
 2. Neither the commercial property insurer(s) nor we contend that coverage applies under the other insurer's policy.
- C. The provisions of this endorsement apply only if all of the following requirements are met:
1. The commercial property policy carried by the Named Insured, insuring the Covered Property, contains a similar provision at the time of the loss or damage, with substantially the same requirements, procedures and conditions as contained in this endorsement;
 2. The damage to the Covered Property was caused by a loss for which:
 - a. Both the commercial property insurer(s) and we admit to some liability for payment under the respective policies; or
 - b. Either:
 - (1) The commercial property insurer(s) does not admit to any liability for payment, while we contend that:
 - (a) All liability exists under the commercial property policy, or
 - (b) Some liability exists under both the commercial property policy and this Boiler and Machinery policy;
 - (2) We do not admit to any liability for payment, while the commercial property insurer(s) contends that:
 - (a) All liability exists under this Boiler and Machinery policy; or
 - (b) Some liability exists under both the commercial property policy and this Boiler and Machinery policy; or
 - (3) Both the commercial property insurer(s) and we:
 - (a) Do not admit to any liability for payment; and
 - (b) Contend that some or all liability exists under the other insurer's policy, and
 3. The total amount of the loss is agreed to by you, the commercial property insurer(s) and us.
- D. If the requirements listed in Paragraph C. above are satisfied, we and the commercial property insurer(s) will make payments to the extent, and in the manner, described as follows:
1. We will pay, after your written request, the entire amount of loss that we have agreed as being covered, if any, by this Boiler and Machinery policy and one-half (1/2) the amount of the loss that is in disagreement.
 2. The commercial property insurer(s) will pay, after your written request, the entire amount of loss that they have agreed as being covered, if any, by the commercial property policy and one-half (1/2) the amount of loss that is in disagreement.

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3. Payments by the insurers of the amounts that are in disagreement, as described in Paragraphs 1. and 2., do not alter, waive or surrender any rights of any insurer against any other with regard to the portion of the loss for which each insurer is liable.
4. The amount in disagreement to be paid by us under this endorsement shall not exceed the amount payable under the equivalent Loss Agreement(s) of the commercial property policy.
5. The amount to be paid under this endorsement shall not exceed the amount we would have paid had no commercial property policy been in effect at the time of loss. In no event will we pay more than the applicable Limit of Insurance shown in the Declarations.
6. Acceptance by you of sums paid under this endorsement does not alter, waive or surrender any other rights against us.

E. Arbitration

1. If the circumstances described in Paragraph C.2.a. exist and the commercial property insurer(s) and we agree to submit our differences to arbitration, the commercial property insurer(s) and we will determine the amount each will pay and will pay the insured within 90 days. Arbitration will then take place within 90 days after payment of the loss under the terms of this endorsement.
2. If any of the circumstances described in Paragraph C.2.b. exist, then the commercial property insurer(s) and we agree to submit our differences to arbitration within 90 days after payment of the loss under the terms of this endorsement.
3. You agree to cooperate with any arbitration procedures. There will be three arbitrators: one will be appointed by us, and another will be appointed by the commercial property insurer(s). The two arbitrators will select a third arbitrator. If they cannot agree, either may request that selection be made by a judge of a court having jurisdiction. A decision agreed to by two of the three arbitrators will be binding on both parties. Judgment on any award can be entered in any court that has jurisdiction.

F. Final Settlement Between Insurers

The insurer(s) found responsible for the greater percentage of the ultimate loss must return the excess contribution to the other insurer(s). In addition, the insurer(s) found responsible for the greater portion of the loss must pay Liquidated Damages to the other insurer(s) on the amount of the excess contribution of the other insurer(s). Liquidated Damages are defined as interest from the date the insured invokes this Agreement to the date the insurer(s) that contributed the excess amount is reimbursed. The interest is calculated at 1.5 times the highest prime rate from the Money Rates column of the Wall Street Journal during the period of the Liquidated Damages. Arbitration expenses are not a part of the excess contribution for which Liquidated Damages are calculated. Arbitration expenses will be apportioned between insurers on the same basis that the ultimate loss is apportioned.

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THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

KNOWLEDGE OF OCCURRENCE

This endorsement modifies insurance provided under the following:

EQUIPMENT BREAKDOWN COVERAGE FORM

Knowledge of an account by your agent, servant or employee shall not in itself constitute knowledge by you. Knowledge of an occurrence by an owner, officer or risk manager shall constitute knowledge by you.

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THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

SPECIAL AIR CONDITIONING DEDUCTIBLE

This endorsement modifies insurance provided under the following:

EQUIPMENT BREAKDOWN COVERAGE FORM

The following applies to any refrigerating or air conditioning system, including associated piping, compressor and drive motor or other driving mechanism.

With respect to any "accident" to such system, the Minimum Deductible will be based on the size of the system in horsepower, as shown in the chart below.

The Minimum Deductible is substituted for the Direct or Combined deductible amount shown in the Coverage Part Declarations, unless the amount shown in the Declarations is larger than the Minimum Deductible.

<u>Size of System</u>	<u>Minimum Deductible</u>
0 HP to 49 HP	\$ 1,500
50 HP to 99 HP	\$ 2,500
100 HP to 299 HP	\$ 5,000
300 HP to 499 HP	\$ 7,500
500 HP to 749 HP	\$10,000
750 HP to 999 HP	\$15,000
1,000 HP and greater	\$25,000

If more than one compressor is used with a single system, the size of the largest motor or compressor will determine the size of the system.

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MODIFIED PRODUCTION MACHINERY EXCLUSION

This endorsement modifies insurance provided under the following:

EQUIPMENT BREAKDOWN COVERAGE FORM

“Covered equipment” includes the following components of “production machinery”:

Any pump, compressor, fan or blower that conveys raw materials, materials in process or finished products;

Any separate enclosed gear set connected by a coupling, clutch or belt; or

Any separate driving electrical or mechanical machine connected by a coupling, clutch or belt.

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SPARE PARTS RESTRICTION (BUSINESS INCOME)

If complete spare replacements for the "covered equipment" shown below are not available at the time of an "accident", our liability for payment for loss and expense under Business Income coverage shall not exceed the amount for which we would otherwise have been liable had such spare equipment been available for replacement at the time of the "accident".

EQUIPMENT REQUIRING SPARES:

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

SPARE PARTS RESTRICTION (BUSINESS INCOME)

If any "covered equipment" shown in Column A below is damaged as a result of an "accident" and if the equipment listed in Column B below is not available on the premises for use or replacement at the time of said "accident", our liability for payment for loss and expense under Business Income coverage part shall not exceed the amount for which we would otherwise be liable had such "viable" spare equipment been available for replacement at the time of the "accident". For the purposes of this endorsement, "viable" means: maintained in a condition which provides a reasonable chance of success when installed.

Column A

Column B

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

ARKANSAS CHANGES

This endorsement modifies insurance provided under the following:

EQUIPMENT BREAKDOWN COVERAGE PART

A. Paragraph 5. of the **Cancellation** Common Policy Condition is replaced by the following:

- 5.a. If this policy is cancelled, we will send the first Named Insured any premium refund due.
- b. We will refund the pro rata unearned premium if the policy is:
 - (1) Cancelled by us or at our request;
 - (2) Cancelled but rewritten with us or in our company group;
 - (3) Cancelled because you no longer have an insurable interest in the property or business operation that is the subject of this insurance; or
 - (4) Cancelled after the first year of a prepaid policy that was written for a term of more than one year.
- c. If the policy is cancelled at the request of the first Named Insured, other than a cancellation described in b.(2), (3) or (4) above, we will refund 90% of the pro rata unearned premium. However, the refund will be less than 90% of the pro rata unearned premium if the refund of such amount would reduce the premium retained by us to an amount less than the minimum premium for this policy.
- d. The cancellation will be effective even if we have not made or offered a refund.
- e. If the first Named Insured cancels the policy, we will retain no less than \$250 of the premium.

B. The following is added to the **Cancellation** Common Policy Condition:

7. Cancellation Of Policies In Effect More Than 60 Days

- a. If this policy has been in effect more than 60 days or is a renewal policy, we may cancel only for one or more of the following reasons:
 - (1) Nonpayment of premium;
 - (2) Fraud or material misrepresentation made by you or with your knowledge in obtaining the policy, continuing the policy or in presenting a claim under the policy;
 - (3) The occurrence of a material change in the risk which substantially increases any hazard insured against after policy issuance;
 - (4) Violation of any local fire, health, safety, building or construction regulation or ordinance with respect to any insured property or its occupancy which substantially increases any hazard insured against under the policy;
 - (5) Nonpayment of membership dues in those cases where our by-laws, agreements or other legal instruments require payment as a condition of the issuance and maintenance of the policy; or
 - (6) A material violation of a material provision of the policy.
- b. if we cancel for:
 - (1) Nonpayment of premium, we will mail or deliver written notice of cancellation, stating the reason for cancellation, to the first Named Insured and any lienholder or loss payee named in the policy at least 10 days before the effective date of cancellation.
 - (2) Any other reason, we will mail or deliver notice of cancellation to the first Named Insured and any lienholder or loss payee named in the policy at least 20 days before the effective date of cancellation.

C. Paragraph g. of the **Mortgageholders** Condition, if any, is replaced by the following:

- g. If we elect not to renew this policy, we will give written notice to the mortgageholder:
 - (1) As soon as practicable if nonrenewal is due to the first Named Insured's failure to pay any premium required for renewal; or
 - (2) At least 60 days before the expiration date of this policy if we nonrenew for any other reason.

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D. The following Condition is added and supersedes any other provision to the contrary:

NONRENEWAL

1. If we decide not to renew this policy, we will mail to the first Named Insured shown in the Declarations, and to any lienholder or loss payee named in the policy, written notice of nonrenewal at least 60 days before:

- a. Its expiration date; or
- b. Its anniversary date, if it is a policy written for a term of more than one year and with no fixed expiration date.

However, we are not required to send this notice if nonrenewal is due to the first Named Insured's failure to pay any premium required for renewal.

The provisions of this Paragraph 1. do not apply to any mortgageholder.

2. We will mail our notice to the first Named Insured's mailing address last known to us. If notice is mailed, proof of mailing will be sufficient proof of notice.

E. The **Appraisal** Condition, if any, is replaced by the following:

2.a. If we and you disagree on the value of the property or the amount of loss ("loss"), either party may make a written request for an appraisal of the loss ("loss"). However, an appraisal will be made only if both we and you agree, voluntarily, to have the loss ("loss") appraised. If so agreed, each party will select a competent and impartial appraiser. The two appraisers will select an umpire. If they cannot agree, either may request that selection be made by a judge of a court having jurisdiction. The appraisers will state separately the value of the property and amount of loss ("loss"). If they fail to agree, they will submit their differences to the umpire.

b. An appraisal decision will not be binding on either party.

c. If there is an appraisal, we will still retain our right to deny the claim.

d. Each party will:

(1) Pay its chosen appraiser; and

(2) Bear the other expenses of the appraisal and umpire equally.

F. The 2-year limitation in the Legal Action Against Us Condition is changed to 5 years.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

Amendatory Endorsement – Cotton Gin Bale Press Exclusion

This endorsement modifies insurance provided under the following:

EQUIPMENT BREAKDOWN COVERAGE FORM

The following is added to Exclusion B.6.:

- g. “Cotton Gin Bale Presses” with tie-rods having more than 450,000 cycles.

The following is added to G. Definitions:

16. “Cotton Gin Bale Press” means cotton gin equipment consisting of the press assembly including the lint pusher, tramper, press boxes, hydraulic and electrical press components mounted on the press assembly. For the purposes of this coverage form, “Cotton Gin Bale Press” does not include the hydraulic press pump(s), electrical control console, or other equipment supporting press operation.

Rate Information

Rate data does NOT apply to filing.

Supporting Document Schedules

		Review Status:	
Bypassed -Name:	Uniform Transmittal Document- Property & Casualty	Approved	07-02-2007
Bypass Reason:	See General Information Tab		
Comments:			